



Department of Veterans Affairs

Financial Policy

Volume XV

Payroll

Chapter 2A

Payments

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0201 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies regarding payroll payments.

Key point covered in this chapter is establishing that VA will pay employees correctly authorized amounts in accordance with Federal laws, regulations, applicable policy and agreements. The chapter also addresses methods and types of payments and pay restrictions.

Detailed payroll procedures will be maintained at the VA intranet accessible SharePoint site, [Payroll Support Operations - Home \(sharepoint.com\)](#).

0202 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Apply standard format changes	OFP (047G)	Style guide changes; full update	September 2022
0204 Roles and Responsibilities	Edits matching revision to Vol XV Ch 1A	OFP (047G)	Maintain consistency	September 2022
020502H Salary Payments	Add Variable Work Schedule requirement	OFP (047G)	New physician schedule	September 2022
Various	Reformatted and completed five-year review	OFP (047G)	Reorganized layout	March 2019
Various	Added Allowances and Awards and Incentives chapters coverage; removed procedures and appendices	OFP (047G)	Consolidation and shift to higher level policy coverage	March 2019

0203 Definitions

Aggregate Limit – Aggregate limits establish a threshold that an employee's pay may not exceed. Aggregate limits are further defined in 5 C.F.R. § 550.106, and VA Handbook 5007, Part VII, Pay Limitations.

Back Pay – As defined in 5 U.S.C. § 5596, relates to all or part of an employee's pay that the employee would have received during a prior work period if an unjustified personnel action had not occurred, less amounts they earned through other employment during that period. Routine retroactive adjustments are not considered back pay.

Basic Pay – The rate of pay fixed by law or administrative action for a position, including applicable locality payment, special rate supplement or similar payment or supplement under other legal authority, before deductions. Basic pay excludes pay from awards, bonuses, overtime, night, Sunday, holiday and any other additional pay. The wage grade employee basic pay rate can vary due to a shift premium.

Biweekly Limit on Premium Pay under Title 5 – An employee may not receive any premium payments that, when added to the employee's biweekly base compensation, would exceed the biweekly premium pay limit of the employee. See 5 C.F.R. § 550.105 for additional information. This limitation is subject to exceptions for emergency or mission-critical work.

Defense Civilian Pay System (DCPS) – A payroll processing system operated by Defense Finance and Accounting Service (DFAS).

Defense Finance and Accounting Service (DFAS) – An entity within the Department of Defense (DoD) that provides finance and accounting services for DoD and other Federal agencies. DFAS is the payroll service provider for VA.

Fair Labor Standards Act (FLSA) – Law that establishes Federal minimum wage, overtime pay, recordkeeping, and youth employment standards. See 5 C.F.R. Part 551. In the employee master record, FLSA Code E designates Exempt (not covered) employees and FLSA Code N designates Non-Exempt employees. Non-Exempt employees are covered by FLSA overtime calculation requirement and other minimum standards for wages and overtime.

Federal Wage System (FWS) – Individuals employed as a recognized trade, craft, skill or labor worker; FWS are also known as Prevailing Rate, wage grade and ungraded employees. This group of employees is further defined under 5 U.S.C. § 5342(a)(2).

General Schedule (GS) – The GS pay structure applies to Federal civilian employees in professional, technical, administrative and clerical positions. Rates can vary by geographic area. Pay rate schedules are accessible at <http://www.opm.gov/>.

Leave and Earnings Statement (LES) – A statement reporting an employee's pay, deductions and leave.

Locality Pay – A geographic area-based pay supplement. See 5 U.S.C. § 5304 and 5 C.F.R. Part 531 Subpart F for additional information. Locality pay is considered part of

basic pay for purposes of calculating retirement and life insurance deductions, and premium pay.

Master Record – An individual employee record in HR and payroll systems containing pay rate, leave eligibility, and other data required for payroll processing. The individual employee record in DCPS is known as the Master Employee Record (MER).

Wage Grade – See Federal Wage System (FWS).

0204 Roles and Responsibilities

Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Local Finance Offices, Chief Accountants, and Other Key Officials are responsible for ensuring compliance with the policies set forth in this chapter.

Assistant Secretary for Human Resources and Administration/Operations, Security and Preparedness is responsible (through the VA Chief Human Capital Officer) for advising Under Secretaries, Assistant Secretaries, other key officials, and field station managers and supervisors of legal and policy requirements and authorities relating to employee pay, leave, allowances and deductions, excluding taxes.

Chiefs/Directors/Officers, Human Resources, are responsible for providing appropriate levels of advice and assistance to employees, beneficiaries, supervisors, and fiscal/finance employees regarding laws, regulations, and policy covering HR issues, including interpretation of rules relating to hours of duty, pay, leave, and authorization of deductions from pay. HR Officers will also ensure HR data is accurate and entered timely into automated HR systems that integrate with payroll and timekeeping systems.

Defense Finance and Accounting Service (DFAS) is VA's designated payroll provider (except for VA Office of Inspector General staff). DFAS processes payroll, makes all employee deductions and disbursements, generates the LES and W-2 files, charges VA appropriations and cost centers, and reports payroll related financial information to Treasury on behalf of VA.

Director, Financial Services Center (FSC), or designee specified in writing by name and position, is responsible for ensuring that payroll activity is generated and processed as needed, to include payroll support services.

Employees are responsible for prompt submission of leave requests in accordance with HR leave administration policy, reviewing their timesheet and their LES for accuracy, and for promptly notifying:

- Their supervisor and timekeeper of timesheet discrepancies regarding leave charges, telework, and extra work time, and

- HR or payroll representatives of other pay, leave, and deduction discrepancies.

Employees are responsible for informing themselves regarding tax withholding requirements, and for submitting applicable tax withholding election certificates to the servicing payroll office or updating tax withholding elections in myPay.

Fiscal Officers responsible for a servicing payroll office will ensure completion and reporting of annual timekeeping and payroll records audits.

Service and Division Chiefs are responsible for delegating and maintaining an adequate number of timekeepers, supervisors, TL approvers and alternates. Delegations of Authority (DOA) shall include action requested (addition or removal) and effective date.

Servicing Payroll Office (i.e., centralized as in FSC and VISN 20, or facility based) trains timekeepers and supervisors on timekeeping system functions and works with timekeepers, supervisors and other employees to resolve pay and leave discrepancies and with auditors on annual records audits. The servicing payroll office ensures prompt adjustment processing, deduction input and maintains accurate and secure timekeeping and payroll records.

Supervisors are responsible for accuracy of employee pay and leave status recorded in the time and attendance system. This includes but is not limited to:

- Ensuring that timekeepers are promptly notified of information needed to maintain accurate and complete time and leave records;
- Managing employee leave and overtime work and ensuring prompt completion of necessary supporting request and approval documentation;
- Ensuring that timekeepers have sufficient time for daily maintenance of T&A records, and for completing such records at the end of the pay period to ensure timesheets are certified by 8 p.m. Central Time on the second Friday of each pay period unless an earlier deadline is announced by FSC Financial Payroll Service (FPS);
- Approving and certifying automated T&A records through electronic signature; approving and certifying paper T&A records as applicable; and
- Seeking HR entitlement guidance when unsure and denying questionable transactions pending resolution of concerns.

Timekeepers are responsible for the preparation, maintenance and timely submission of official T&A records and reports for each employee whose record has been assigned to their Time and Leave Unit (TL).

0205 Policies

020501 General Policies

- A. Employee pay rates will be established in the employee's master record by HR personnel.
- B. Time and attendance (T&A) records are certified correct by supervisors.
- C. Data from VA's HR and timekeeping systems will interface with DCPS records multiple times each pay period as changes are saved.
- D. Regular routine payroll calculations are automated, supporting generation of biweekly payments.
- E. Timesheet adjustments or corrections will be made as soon as practicable after discovery of errors and will be documented in the appropriate system and pay period. See details below:
 - 1. VA Time and Attendance System (VATAS) approved adjustments to online periods (within the prior 1.5 years) flow to DCPS for automated correction of pay and leave. VA servicing payroll staff must not adjust the DCPS timecard for timesheets originally processed in VATAS, unless an exception is authorized by the VATAS Tier 1 Help Desk.
 - 2. Supervisor approved adjustment to offline periods (more than 1.5 years prior) require VA payroll submission through DCPS remedy system.
- F. DFAS will issue payroll payments to current and separated employees and outside entities (e.g., OPM, taxing authorities), as authorized, in accordance with applicable Federal laws, regulations, applicable policy and agreements.
- G. VA servicing HR and payroll staff will use authorized automated systems and related procedures to ensure that:
 - 1. Employees receive payment for the correct amount of salary and other pay entitlements, based on the authority as stated in VA Handbook 5007, Pay Administration.
 - 2. Payments are properly documented and charged to appropriate accounts so accounting records and other documentation accurately reflect employee payments.
- H. Field payroll offices will seek transaction processing guidance from FSC FPS.
- I. In accordance with 31 C.F.R. § 208.3, DFAS will make payroll-related disbursements (e.g., salaries, taxes, retirement contributions) using direct

deposit/electronic funds transfer (DD/EFT) to the maximum extent possible. For more information on DD/EFT requirements, refer to VA Financial Policy Volume VIII, Chapter 2, Electronic Funds Transfer Requirement.

- J. VA has established the first Friday following the end of each pay period as the settlement date and pay date for DD/EFT for all regular salary payments. The official VA payday and the settlement date are generally the same; however, in the event the settlement date falls on a designated national holiday, the settlement date will move to the preceding Thursday.
- K. VA will comply with limitations on pay applicable to all employees in accordance with VA Handbook 5007, Part VII, Chapter 2, Aggregate Limits, and VA Handbook 5007, Part V, Chapter 2, Para. 5, Exception to the Biweekly Premium Pay Limitation for Mission-Critical and Emergency Work.
- L. VA facilities will not issue paper checks or make cash payments for employee payroll payments.
- M. VA will not use appropriated funds to pay interest and/or fees on behalf of employees or to correct agency acts, errors or omissions, unless specifically authorized by statute. Refer to 31 U.S.C. Subtitle II, The Budget Process, Chapter 13, Appropriations, Subchapter III, Limitations, Exceptions, and Penalties, for information on fee payment restriction.
- N. VA will not reimburse employees for late payment charges due to payroll-related disbursement errors, even if the payroll error was caused by:
 - Erroneous payroll system or employee data, or
 - Errors made by either VA employees or DFAS employees in the performance of their official duties.

020502 Salary Payments

- A. As authorized, VA will advance salary payments to employees in accordance with requirements in:
 - 1. 5 C.F.R. § 550, Subpart D, for employees impacted by an evacuation order; and
 - 2. VA Handbook 5007, Part VI, Chapter 5, Advances in Pay for New Employees.

Documentation authorizing a salary advance is submitted through DCPS remedy along with employee agreement containing repayment process detail. A MER must be established in DCPS before a salary advance can be paid to a new employee.

- B. When an employee has received less than 90 percent of basic pay and allowances, VA servicing payroll staff has authorization to submit a special pay (payment outside the normal biweekly processing cycle) request through the DCPS remedy process. Necessary corrections to MER and/or timecards in DCPS must be updated prior to submission of the remedy request.
- C. In the event of an emergency preventing transmission of all automated facility pay data for normal salary processing, the facility Director or designee will contact Payroll and HR Systems Division (PHRSD) through the VAFSC FPS to authorize basic pay to full-time and part-time employees for regularly scheduled hours. VA servicing payroll staff will ensure timecard data is updated in DCPS as soon as possible after the emergency ends. VA must ensure employees receive the proper adjustment for actual time worked and leave used.
- D. The HR Office of Workers Compensation Program (OWCP) Specialist identifies Continuation of Pay (COP) days and hours of entitlement by memorandum copied to the employing service and payroll office. As authorized, VA will continue an employee's regular salary for up to 45 calendar days of wage loss following a qualifying work-related injury or illness. The memorandum must contain the employee's name, the date of injury, and a statement that the employee has elected to have pay continued. COP payments are subject to deduction for taxes and all other payroll deductions that are made from regular income. Refer to 5 U.S.C. § 8118 and to 20 C.F.R. Part 10 for additional information.
- E. VA will authorize payment to firefighters whose normal work schedule (all hours within tour, regardless of activity) averages at least 106 hours per biweekly pay period in accordance with 5 C.F.R. § 550, Subpart M, and VA Handbook 5007, Part VIII, Chapter 2, Firefighter Pay. These firefighters:
 - 1. will not be paid premiums for standby duty, hazardous duty, or other premium pay for work at night or on holidays,
 - 2. will receive pay at the overtime rate for hours over 53 per week, and
 - 3. will receive weekend premium on the same basis as healthcare workers for service performed on a tour of duty that includes hours worked on Saturday or Sunday, except as noted below.
 - a. Firefighter weekend premium pay does not impact FLSA overtime calculation.
 - b. Fire Protection Inspectors (GS 0081-08) are not eligible for weekend premium pay.

VA employees in the 0081 occupation series averaging less than 106 work hours per pay period are entitled to premium pay on the same basis as other GS employees.

- F. VA will authorize pay to physicians and dentists consisting of three elements:
- Base Pay.
 - Market Pay.
 - Performance Pay.

Refer to VA Handbook 5007, Part IX, Pay for VHA Physicians and Dentists, for additional information on pay entitlement.

- G. Adjustable work schedule part-time physician guidance is found in VA Handbook 5011, Part II, Appendix I, Instructions for Completing and Monitoring Memoranda of Service Level Expectations (MSLE). Payroll will direct adjustment of timesheets recognizing pay and leave differences upon termination of each MSLE. Each MSLE period will not exceed one year. Refer to FSC FPS for adjustment procedures. See VHA Directive 1035 for additional information.

- H. Full-time physician Variable Work Schedule (VWS) guidance is found in VA Handbook 5011, Part II, Chapter 3, Para. 15. Payroll will direct adjustment of timesheets recognizing pay and leave differences upon termination of each agreement. Each agreement period will not exceed one year. Refer to FSC FPS for adjustment procedures.

- I. VA will deduct the proportionate amount of a retirement annuity from the salary of a retired and reemployed Federal civilian employee. Servicing HR staff will enter the initial annuity amount in HR Smart. Payroll will submit the annual annuity update notice to DFAS when provided by the affected employee. For more information on reemployed annuitants, refer to Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) Handbook for Personnel and Payroll Offices, Chapter 100, Reemployed Annuitants. Information on VA authority to waive annuity offset is found in VA Handbook 5007, Part VIII, Chapter 5.

1. DFAS will increase the salary offset when a cost of living increase is applied to the retirement annuity.
2. Servicing VA payroll staff will submit a copy of the reemployed annuitant's updated OPM annuity statement to DFAS when available.
3. HR will enter the new annuity amount in HR Smart.
4. For more information on the annuity cost of living adjustment and how it relates to reemployed annuitants, refer to CSRS and FERS Handbook for Personnel and Payroll Offices, Chapter 2, Section 2A5.1-1B.

- J. VA's payroll provider will pay Veterans Canteen Service (VCS) pieceworkers (e.g., barbers and beauticians) based on regular reporting of weekly commission sales. Payments may be affected by Federal minimum wage requirement.
- K. VA will authorize payment of premium pay in accordance with title 5 and title 38 authorities.
 - 1. VA will authorize overtime payment or equivalent time off to eligible employees for overtime work, in accordance with VA Handbook 5007, Part V, Chapter 2, and the following resources:
 - a. Fair Labor Standards Act (FLSA) overtime will be paid in accordance with 5 C.F.R. Part 551 Subpart E, paying overtime at the straight-time rate plus half of the average total pay per hour for the week (or, for compressed schedule employees, the average for the pay period).
 - b. Federal Wage System (FWS) employee overtime will be paid in accordance with FWS Operating Manual Subchapter S8-4, Night Shift Differential and Premium Pay, using the applicable shift rate as the base pay rate in overtime calculation.
 - c. Firefighter overtime will be paid in accordance with VA Handbook 5007, Part VIII, Chapter 2, Firefighter Pay, and Appendix VIII-B. Pay for full-time regular firefighter unscheduled hours is limited to the straight-time rate for 53 (regularly scheduled plus unscheduled) hours per week.
 - d. Nurse alternate work schedule overtime will be paid in accordance with VA Handbook 5007, Part VIII, Chapter 9, Pay Administration Policies for Nurses on Alternate Work Schedules.
 - e. Administratively Uncontrollable Overtime (AUO) will be paid in accordance with VA Handbook 5007, Part V, Chapter 6, Para. 3f. An added percentage of the rate of basic pay is paid to compensate for average irregular overtime work hours and scheduled standby periods required.
 - f. Law Enforcement Availability Pay (LEAP) will be paid in accordance with VA Handbook 5007, Part V, Chapter 6, Para. 3g, and 5 C.F.R. §§ 550.181-186. An added percentage of the rate of basic pay is paid to compensate for an average work requirement of at least 2 hours per workday in excess of regularly scheduled full-time hours and for maintaining availability as scheduled.
 - g. Some employees are not eligible for additional (premium) pay or time off in lieu of overtime, including, but not limited to, physicians, dentists,

optometrists, podiatrists, chiropractors, and members of the Senior Executive Service.

2. VA will authorize premiums for Night, Holiday, Sunday and Weekend work in accordance with VA Handbook 5007, Part V, Chapter 6, Other Forms of Additional Pay (Sunday Pay, Night Differential, Weekend Pay), Part V Appendices A and B, and FWS Operating Manual Subchapter S8-4.
3. VA will authorize on-call and standby premium in accordance with VA Handbook 5007, Part V, Chapter 5, On-Call Pay and Standby Pay.
4. VA will authorize payment of night, holiday, overtime, and on-call premium pay to hybrid employees on the same basis as Registered Nurses, only in accordance with approval requirement in VA Handbook 5007, Part V, Chapter 3, Premium Pay on the Same Basis as Registered Nurses for Employees Appointed under 38 U.S.C. § 7401(3) or § 7405(a) (1) (B).
5. VA will authorize higher rates of additional pay to Nurses, Physician Assistants, Expanded Function Dental Auxiliaries, and authorized hybrid employees only in accordance with approval requirement in VA Handbook 5007, Part V, Chapter 4, Higher Rates of Additional Pay for Employees Appointed under 38 U.S.C. § 7401, § 7405(a) (1) (A) and § 7405(a) (1) (B).
6. VA will authorize premium pay to nurse alternate work schedule employees in accordance with VA Handbook 5007, Part VIII, Chapter 9, Pay Administration Policies for Nurses on Alternate Work Schedules.
7. VA will authorize hostile fire pay, also known as imminent danger pay, in accordance with VA Handbook 5007, Part VIII, Chapter 14.
8. Separate from the 15 days of military leave that accrue each fiscal year to full-time employees for military reserve or National Guard service, VA will authorize pay for up to 22 workdays per calendar year for the amount by which projected VA salary exceeds military pay and allowances for the same period of qualifying active duty military service in accordance with 5 U.S.C. § 6323(b). Pay is subject to HR confirmation of qualifying orders for law enforcement purpose.
9. Eligible VA employees submitting claims who are members of the reserve or National Guard, and are called to perform active duty under a provision of law referred to in 10 U.S.C. § 101(a)(13)(B), will be paid military reservist differential pay in the amount by which the civilian basic pay the employee would have earned (but for the active duty) exceeds the military pay and allowances actually received for the same covered period. Reservist differential is not payable for any period in which an employee receives civilian basic pay for performing work or using paid civilian leave or other paid time off. Refer to OPM reservist differential

guidance and to VA Handbook 5007, Part VIII, Chapter 19, Reservist Differential, for additional information.

10. Supervisors will respond to employee requests for compensatory time off for travel for time spent in a travel status away from the employee's official duty station when the travel time is not otherwise compensable as hours of work. See VA Handbook 5007, Part VIII, Chapter 15 and appendix VIII-H. No pay is issued if lost through expiration or through separation.
 11. VA will observe daylight-saving time in those localities where it is in effect. Employees working on a tour when daylight-saving time goes into effect, and whose tour of duty is thereby shortened one hour, will be charged one hour of leave for the hour lost. Employees working on a tour when standard time goes into effect will be credited with the number of hours they are actually on duty (Comptroller General Warren to the Secretary of Commerce, B-66366, 26 Comp. Gen. 921, June 12, 1947).
 12. As authorized, VA will pay special pay under title 38 to eligible Nurse Executives and Pharmacist Executives in accordance with VA Handbook 5007, Part VIII, Chapters 16 and 17, Special Pay for Nurse Executives and Special Pay for Pharmacist Executives.
- L. Other additional pay items addressed here and in HR policy include allowances, awards, differentials and incentives.
1. VA's most commonly authorized allowances are for purchase and maintenance of uniforms in certain VHA occupations and to supplement pay for those outside the continental United States. Education, foreign transfer, and living quarters allowances rely on Department of State Standardized Regulation (DSSR) for coverage of Government employees appointed to posts outside the United States.
 - a. VA will pay Non-Foreign Cost of Living Allowance (COLA) as established under 5 U.S.C. § 5941, to eligible employees in certain non-foreign areas where living costs are substantially higher than those in the Washington, DC area, not to exceed 25 percent of the employee's hourly rate of basic pay. The geographic area of entitlement is defined in 5 C.F.R. Part 591, Subpart B, Appendix A.
 - b. As authorized, VA will pay an education allowance to eligible employees to assist in meeting expenses of elementary and secondary education for children while the employee is assigned to an overseas post.
 - c. As authorized, VA will pay a foreign transfer allowance to eligible employees to offset a part of the cost of transfer to an overseas post.

- d. As authorized, VA will pay a living quarters allowance to eligible employees if living quarters are not provided at an assigned overseas post.
 - e. As authorized, VA will pay a Physicians Comparability Allowance (PCA) to eligible Government physicians or dentists who are paid under the GS, Senior Executive Service, or other pay system. See 5 U.S.C. § 5948, Physicians Comparability Allowance, for additional information.
 - f. As authorized, VA will pay a uniform allowance to eligible VA employees in positions that require uniforms; however, the allowance will not be paid to an employee who is issued a uniform through VA resources. See VHA Handbook 1850.04(1) for additional information and 38 U.S.C. § 903 for VA police uniform allowance regulation.
2. VA Handbook 5017, Employee Recognition and Awards, provides information on VA employee awards entitlement.
- a. In accordance with HR policy, VA will pay monetary awards to employees and volunteers in recognition of achievements that benefit VA or the Federal government. Cash equivalent awards such as gift cards or gift certificates along with other monetary awards are always taxable, regardless of the value.
 - b. VA will recognize the value of non-monetary awards that exceed de minimis value (so small that accounting for the item as taxable income is unreasonable or impractical) as taxable earnings. Currently VA has set this de minimis value at \$100. The award approving official is responsible for determining the award's value. See IRS Publication 15-B for guidance on award valuation. For further information on awards see VA Financial Policy Volume II, Chapter 4, Awards, Ceremonies, Food or Refreshments, Gifts or Mementos.
 - c. VA will recognize time off awards as addressed in VA Handbook 5017, Part III, Appendix F.
3. VA facility directors may authorize differentials for work in hazardous environments or circumstances. VA may authorize differentials for hardships encountered in overseas appointments and for GS supervisors of highly paid FWS employees.
- a. Environmental differential is payable to a FWS employee for work performed under unusually severe working conditions or unusually severe hazards. Payment will be based on the appropriate percentage rate authorized for the

described exposure under 5 C.F.R. § 532.511 and Appendix A to Subpart E of Part 532.

- b. Hazard pay differential under 5 U.S.C. § 5545(d) for GS employees is additional pay for the performance of hazardous duty or duty involving physical hardship. Refer to 5 C.F.R. § 550.904 for more information on authorization of Hazard Pay Differential, and to Appendix A of Subpart I of Part 550 for the schedule of authorized hazard descriptions and associated premium rates.
 - c. As authorized, VA will pay foreign post (hardship) differential to employees working in an overseas location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions that affect the majority of employees officially stationed or detailed at that place. The foreign post differential rates are determined and adjusted by the Department of State.
 - d. As authorized, and as described in 5 U.S.C. § 5941, VA will pay non-foreign post differential, at a rate not to exceed 25 percent of an employee's hourly rate of basic pay, to eligible employees while stationed at an overseas post. Post differential areas are listed in 5 C.F.R. § 591.231 (also in 5 C.F.R. Appendix B to Subpart B to Part 591). COLA and non-foreign post differential percentages may not exceed a combined rate of 25 percent of the hourly rate of basic pay.
 - e. As authorized, VA will pay supervisory differential to a supervisor in a GS position regularly responsible for direct technical and administrative supervision of the work of one or more non-GS employees if any of the subordinates would, in the absence of a supervisory differential, be paid more than the supervisor. A supervisory differential is not considered part of the supervisor's rate of basic pay for any purpose. See 5 C.F.R. § 575.405.
4. VA may authorize incentives to recruit or retain highly qualified employees, and, subject to OPM's approval, to encourage voluntary separations.
- a. VA has not authorized payment of extended assignment incentives under 5 C.F.R. Part 575.
 - b. VA may authorize recruitment and/or relocation incentives as a lump sum payment or as installment payments during the service period. Servicing HR staff will enter the incentive into VA's automated system and provide servicing payroll staff with a copy of the Recruitment or Relocation Incentive service agreement. See VA Handbook 5007.

- c. VA may authorize a retention incentive to an employee in installments (e.g., biweekly, quarterly, semi-annually) or in a single lump sum payment covering one year of a service commitment. Servicing HR staff will enter the incentive into VA's automated system and provide servicing payroll staff with a copy of the retention service agreement or statement of understanding. See VA Handbook 5007.
 - d. VA may authorize payment of Federally insured student loans as an incentive to candidates or current VA employees to attract and/or retain highly qualified employees. If the servicing HR management office approves a student loan repayment, the servicing payroll staff will receive a signed copy of the service agreement and specific information (payment address, loan amount, etc.) regarding each loan to be repaid. These documents will serve as authorization to submit the repayment request through remedy. Authorizing documents will be filed in the employee's payroll folder. After receipt of the initial authorization, the payroll office should obtain certification from the approving official that funds are available prior to disbursing repayments in subsequent fiscal years. See VA Handbook 5007.
 - e. VA may offer a Voluntary Separation Incentive Payment (VSIP) to employees under limited circumstances when authorized by OPM. For more information on the VSIP, refer to 5 C.F.R. Part 576.
- M. VA will comply with valid back pay orders and settlement agreements resolving personnel conflicts, disputes or errors.
- 1. DFAS will process required pay and leave back pay adjustment transactions. VA servicing payroll staff, in coordination with DFAS activity, will submit necessary documentation and direct VA timesheet adjustment. Back pay entitlement will be charged to the employee's salary appropriation for the fiscal year to which the payment relates or to the current year when the prior year appropriation is closed. DFAS will process salary transactions as stipulated in back pay determinations and settlement agreements. Refer to back pay authority in 5 U.S.C. § 5596 and to processing instructions in 5 C.F.R. § 550.805.
 - 2. Settlement agreement payment for other than back pay will be paid as a vendorized payment through VA's accounting system.
 - 3. VA will authorize interest payment under OPM guidance on back pay. Refer to 5 U.S.C. § 5596(b)(2) for back pay interest payment authority.
- N. Payment upon Separation, Termination of Entitlement, and Beginning Active Duty Military Service Deployment.

1. VA will pay accumulated and accrued annual leave as a lump sum when an eligible employee separates, transfers to a position to which the accumulated annual leave cannot be transferred or enters on active duty in the armed forces and elects to receive a lump sum payment. VA servicing payroll staff will:
 - audit leave for the year prior to separation, and
 - ensure corrections are processed for any discrepancies found.Refer to VA Handbook 5007, Part IV, Chapter 3, Lump Sum Annual Leave [LSAL] Payments, for information on LSAL entitlement for eligible employees, and to Part VIII, Chapter 2, for firefighter LSAL information.
2. Unused Compensatory Time earned in lieu of overtime is payable at the overtime rate in effect when the hours were earned. Payment is required upon separation, transfer (including VA interstation transfer), at the start of LWOP status for military service or OWCP-covered absence (See 5 C.F.R. § 550.114(f)(2)), and, for FLSA Non-Exempt employees, upon expiration. See VA Handbook 5007 for additional pay entitlement information.
3. VA will authorize credit hours payment at the employee's regular hourly rate of basic pay at the time entitlement to pay for credit hours is effective (See VA Handbook 5011, Part II, Chapter 2, Para. 12f(2)). A full-time employee may be paid for a maximum of 24 credit hours. A part-time employee may be paid for a maximum of 25 percent of the hours in the employee's basic work requirement. Credit hours may be paid when an employee ceases to work in a unit where credit hours may be earned except as noted below.

Credit hours of physicians, dentists, chiropractors, optometrists, and podiatrists are not payable. Pending systems updates, such credit hours require manual tracking and timesheet remarks to identify hours earned and used.

4. VA servicing payroll staff will assist servicing HR office personnel, as needed, to submit required documentation of death and of eligible beneficiaries to VA's payroll provider for payment of Deceased Employee Accounts.
 5. The VA servicing payroll office staff will submit overdue debt information to DFAS prior to final pay processing to reduce an employee's final salary payment by appropriate deductions and collections for indebtedness to the Federal Government. "Indebtedness to the Federal Government" includes any debt owed by reason of participation in a VA benefits program.
 6. VA servicing payroll staff, upon notice of entitlement from HR, will calculate severance pay in accordance with 5 C.F.R. § 550.707. The severance payment amount will be provided to VA HR for transmission to VA's payroll provider for payment.
- O. The following other pay items are not tracked or recorded in the HR master record.

1. Central Office (VACO) will administer the Child Care Subsidy Program (CCSP) payments in accordance with VA Handbook 5009, Part I, VA Child Care Subsidy Program, and IRS regulation.
2. VA may authorize a Home Marketing Incentive (HMI) Program payment to an employee who sells his or her home as part of the Department's Relocation Services Program. Once approved for the Guaranteed Home Buyout Option (GHBO) Program, employee participation in the HMI program is optional. Payment process requires payroll submission through remedy of authorizing documents. See VA Financial Policy Volume XVI Chapter 8 Appendix I.
3. Permanent Change of Station (PCS) expense payments may be taxed as earnings. See IRS Publication 521 on Moving Expenses and VA Financial Policy Volume XIV Chapter 8, Relocation Packages, for additional information.
4. See VA Financial Policy Volume XIV, Chapter 2, Section 020513, EXTENDED TEMPORARY DUTY TRAVEL TAX REIMBURSEMENT ALLOWANCE, and VAFSC guidance for Long Term Taxable Travel for additional information on taxable travel benefits.
5. The definitions and instructions for the transit benefit program are found in VA Financial Policy Volume III – Miscellaneous Accounting Topics, Chapter 1, Transit Benefit Program.

0206 Authorities and References

[5 U.S.C. Part III, Employees](#)

- Chapter 45, Incentive Awards
- Chapter 53, Pay Rates and Systems
- Chapter 55, Pay Administration
- Chapter 59, Allowances
- Chapter 63, Leave
- Chapter 81, Compensation for Work Injuries

[31 U.S.C. Subtitle II, Chapter 13, Appropriations, Subchapter III, Limitations, Exceptions, and Penalties](#)

[38 U.S.C. Chapter 73, Veterans Health Administration - Organization and Functions](#)

[38 U.S.C. Chapter 74, Veterans Health Administration - Personnel](#)

[38 U.S.C. § 903, Uniform Allowance](#) (for Police Officers)

[Department of State Standardized Regulations \(DSSR\)](#)

[5 C.F.R. Part 531, Pay under the General Schedule](#)

[5 C.F.R. Part 532, Prevailing Rate Systems](#) (aka Wage Grade, Federal Wage System)

[5 C.F.R. Part 550, Pay Administration \(General\)](#)

[5 C.F.R. Part 551, Pay Administration under the Fair Labor Standards Act](#)

[5 C.F.R. Part 575, Recruitment, Relocation and Retention Incentives; Supervisory Differentials; and Extended Assignment Incentives](#)

[5 C.F.R. § 576, Voluntary Separation Incentive Payments](#)

[5 C.F.R. Part 591, Allowances and Differentials](#)

[20 C.F.R. Part 10, Claims for Compensation under The Federal Employees' Compensation Act, as Amended](#)

[31 C.F.R. Part 208, Management of Federal Agency Disbursements](#)

[Comptroller General Decision B-66366 regarding change to and from daylight savings time](#)

[IRS Forms and Publications](#), Publication 15, Circular E, Employer's Tax Guide

[OPM, CSRS and FERS Handbook for Personnel and Payroll Offices, Chapter 100, Reemployed Annuitants](#)

[OPM Reservist Differential guidance](#)

[OPM website, Salary Tables and Related Information](#)

[FSC FPS SharePoint-Payroll Operations Guidance](#) (VA intranet access only)

[FSC Travel Services Division – Long Term Taxable Travel guidance](#)

[VA Office of Human Resources Library](#) (VA intranet access only)

- VA Handbook 5007, Pay Administration
- VA Handbook 5009, Employee Benefits
- VA Handbook 5011, Hours of Duty and Leave

[VA Financial Policy Publications Library](#)

[VHA Handbook 1850.04\(1\), Uniform Allowance](#)

0207 Rescissions

Volume XV, Chapter 2A, Payroll: Payments, Approved March 20, 2019.

0208 Questions

Questions concerning this financial policy should be directed to the following points of contact:

VHA	VHA Financial Policy (Outlook)
VHA	VAFSC Nationwide Accounting (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Financial Policy Group (Outlook)
All Others	OFP Accounting Policy (Outlook)